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## **Mexico**

## **Honey**

# **Mexico's Honey Production and Exports to Rise 1999**

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### **Report Highlights:**

**Mexico's honey production for 1999 is expected to increase by 2.6 percent over last year due to better weather, coupled with and gradual improvement and modernization of the Mexican beekeeping industry. As a result, exports will likely rise.**

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Includes PSD changes: Yes  
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## SECTION I. SITUATION AND OUTLOOK

**Economic Situation and Outlook:** The outlook for the Mexican economy has brightened in recent months. This optimism is based on a major rebound in world oil prices, the Government of Mexico's (GOM) conservative fiscal policy, and renewed stability in Russia, Asia, and Brazil. Mexico's exports for the first quarter of 1999 were up 6.6 percent, compared to the same period last year, and the trade deficit for the quarter decreased by 31.3 percent. Higher oil prices and a more robust U.S. economy are the primary reasons for these improvements. Imports, on the other hand, have only increased 4.4 percent during the first quarter of the year, largely because of the economic slowdown that began during the last quarter of 1998. After posting a US\$7.7 billion trade deficit last year, projections for 1999 call for a deficit ranging from US\$6 to US\$7 billion. The current account deficit is projected to be around US\$14.4 billion, a figure that would constitute a manageable 3.4 percent of GDP. If the peso continues to appreciate, however, imports are likely to increase significantly over the next few months, and the trade and current account deficits could end up being larger than they are now projected. Normally, there is a lag of two to three months between the time import orders are placed and goods are actually shipped.

Higher oil prices have increased analysts' confidence in the government's fiscal target. The current average price of Mexican crude is significantly higher than the US\$9.25 per barrel used to draft the budget. If the higher price remains, the GOM would obtain a windfall, making it easier to attain the deficit target of 1.25 percent of GDP, while still having room to increase social expenditures as the country approaches the 2000 elections. Current forecasts project an average oil price of around US\$11.00 per barrel for the year.

The reasons for optimism notwithstanding, it's important to keep in mind that the Mexican market tends to overreact to good or bad news, so that Mexico is now experiencing the positive side of that instability. The fundamentals of the economy, however, have not changed dramatically over the last few months, only the expectations. Thus, there is no guarantee that the short-term optimism will continue in the medium term. A deterioration of the trade accounts due to the overvalued peso could be the event that reverses the current optimism. Likewise, longer-term expectations will be affected by the transparency (or lack of it) of the political process for the national elections in 2000.

Furthermore, although the worst of the crises in Asia and Brazil seem to be over, those economies are not completely out of the woods yet and unexpected events from them could still cause some turmoil. Along similar lines, if the speculative bubble of the U.S. stock market bursts, financial markets of all emerging markets would also tumble. (Source: Economic Section, U.S. Embassy, Mexico)

**Honey Situation and Outlook:** Mexico's 1999 honey production is forecast to increase to 57,500 metric tons, about 2.6 percent above the previous year's revised production estimate, due to several factors such as improved weather conditions in many areas, better control of African bees, and improved headway in combating outbreaks of *Varroa Jacobsini*.

The production estimate for 1998 is revised downward by 0.8 percent to 56,061 MT, reflecting more current industry and official data. The 1998 estimate is still 4.36 percent more than the previous year's production, but 24 percent less than the record high of 69,495 MT registered in 1991. Mexico's principal honey-producing states are Yucatan, Jalisco and Veracruz with combined 1998 production accounting for 38 percent of the national total.

In 1998, 47 percent of Mexico's honey production was exported, thus generating income of over US\$ 37 million for 26,322 MT. Of that, 48.8 percent went to Germany, 16.8 percent to the U.K. and 6.7 percent to the U.S. For the first quarter of 1999, exports reached 5,277 MT. Domestic consumption in 1998 was 30,000 MT, representing a per capita consumption of only 300 grams.

Mexico's 1998 imports were higher than normal at 31.5 MT, of which 78.5 percent came from the U.S. China, as the closest competitor, accounted for 9.6 percent of imports. For 1999, the U.S. exports to Mexico are expected to return to more traditional levels; during the first quarter the U.S. supplied just 398 kgs., 17.7 percent of imports.

The Mexican honey industry, though largely focused on foreign markets, has felt the negative economic conditions from which Mexico is currently emerging. Unfortunately, last year Mexican traders and intermediaries were accused of adulterating a portion of the Yucatan honey with added sugar. Although adulterated honey never got into the international market, the scandal caused international buyers to be wary of Mexican honey. This problem, however, did not get blown out of proportion and exports from Mexico continued rising.

## SECTION II. STATISTICAL TABLES

### PS&D, Honey

PSD Table						
Country	Mexico					
Commodity	Honey				(1000 COLONIES)(MT)	
	Revised 1997		Preliminary 1998		Forecast 1999	
	Old	New	Old	New	Old	New
Market Year Begin	01/1997		01/1998		01/1999	
Commercial Colonies	2000	2000	2100	2100	0	2000
Non commercial Colonies	0	0	0	0	0	0
TOTAL Colonies	2000	2000	2100	2100	0	2000
Beginning Stocks	0	0	0	0	0	0
Production	53681	53681	56500	56061	0	57500
Imports	0	0	0	0	0	0
<b>TOTAL SUPPLY</b>	53681	53681	56500	56061	0	57500
Exports	22681	22681	25000	26322	0	29000
Domestic Consumption	31000	31000	31500	29739	0	28500
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	53681	53681	56500	56061	0	57500

**Table 1**  
**Mexican Honey Production by State**  
**1991 to 1998**  
**(Metric Tons)**

State	1991	1992	1993	1994	1995	1996	1997	1998
Aguascalientes	206	150	208	257	177	194	159	99
Baja California	170	0	0	0	0	200	198	132
Baja California Sur	82	127	145	197	212	250	201	187
Campeche	8,600	6,001	5,454	4,050	3,706	3,213	2,950	3,799
Coahuila	99	193	145	150	164	65	163	72
Colima	1,179	1,162	1,065	1,070	1,075	1,065	559	890
Chiapas	2,950	2,965	3,000	3,000	3,050	3,146	2,674	2,893
Chihuahua	339	434	774	449	218	364	638	660
Mexico City	174	114	114	100	70	197	113	185
Durango	461	261	449	390	302	505	464	241
Guanajuato	1,240	910	962	1,040	1,050	1,097	861	1,147
Guerrero	4,241	3,908	4,436	3,945	3,933	918	3,868	4,497
Hidalgo	1,375	1,670	1,605	1,729	1,312	1,290	1,223	1,093
Jalisco	6,903	6,972	7,718	7,304	4,344	5,212	6,065	7,239
Mexico	963	1,200	851	834	794	793	801	814
Michoacan	2,150	2,020	1,887	1,816	1,708	1,786	1,976	1,991
Morelos	1,092	750	600	687	475	181	541	791
Nayarit	1,218	873	639	571	463	515	563	509
Nuevo Leon	490	527	525	491	500	502	430	400
Oaxaca	2,766	2,449	2,479	2,494	2,011	2,598	1,837	1,776
Puebla	2,276	2,357	2,333	2,354	2,001	2,269	2,939	3,207
Queretaro	400	271	374	390	185	141	98	115
Quintana Roo	2,295	3,000	2,910	2,550	2,700	2,640	3,888	2,941
San Luis Potosi	612	1,534	1,249	1,288	1,052	1,390	964	773
Sinaloa	1,460	2,184	1,920	1,538	942	682	912	1,165
Sonora	1,495	957	807	781	805	920	691	808
Tabasco	425	450	372	328	244	80	86	118
Tamaulipas	1,314	993	884	632	786	760	706	630
Tlaxcala	134	201	250	454	236	335	335	362
Veracruz	6,462	3,701	4,952	5,000	4,146	4,458	4,592	4,500
Yucatan	13,462	12,870	10,642	8,638	8,400	9,250	10,302	9,615
Zacatecas	2,462	2,682	2,224	1,905	2,167	2,164	1,884	2,377
Total	69,495	63,886	61,973	56,432	49,228	49,180	53,681	56,026

Source: Secretariat of Agriculture, Livestock and Rural Development (SAGAR)

<b>Table 2</b> <b>Honey Exports</b> <b>(U.S. Dollars and Kgs.)</b> <b>-Calendar Year-</b>				
Country	1998		1999*	
	Value	Volume	Value	Volume
Germany	24,998,379	17,682,534	4,165,376	3,425,318
Saudi Arabia	973,240	552,439	70,914	39,581
Belgium	1,174,164	368,944	0	0
Canada	349,486	231,745	49,625	32,224
U.S.A.	2,218,103	1,777,696	533,057	490,454
Japan	15	6	103	53
U.K.	5,530,791	4,415,628	924,366	826,985
Switzerland	341,932	283,575	257,251	167,810
Venezuela	457,622	301,080	47,520	43,200
Others	1,149,247	707,949	374,812	251,194
Total	37,192,979	26,321,596	6,423,024	5,276,819

Source: National Bank of Foreign Trade (BANCOMEXT)

\*figures as of 3/03/99

<b>Table 3</b> <b>Honey Imports</b> <b>(U.S. Dollars and Kgs.)</b> <b>-Calendar Year-</b>				
Country	1998		1999*	
	Value	Volume	Value	Volume
Austria	5,209	723	568	84
China	45,630	3,015	4,625	500
U.S.A.	23,518	24,743	2,330	398
Switzerland	20,706	2,446	10,351	1,182
Others	4,847	600	284	87
Total	99,910	31,527	18,158	2,251

Source: National Bank of Foreign Trade (BANCOMEXT)

\*figures as of 3/03/99

<b>Table 4</b> <b>Honey Consumption</b> <b>1991 to 1998</b> <b>(1,000 Metric Tons)</b>								
Year	1991	1992	1993	1994	1995	1996	1997	1998
Consumption	19	27	26	26	24	22	31	30
Production	69	64	62	56	49	48	54	56
Imports	0	0	0	0	0	0	0	0
Exports	50	37	36	30	26	27	23	26
Consumption per Capita (Kgs.)	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3

Source: Secretariat of Agriculture, Livestock and Rural Development (SAGAR)

### SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

#### PRODUCTION

Mexico's total honey production is forecast to increase to 57,500 metric tons for 1999. This rise is primarily due to factors such as improved weather conditions in many honey-producing regions, improved control of African bees, and improved headway in combating outbreaks of *Varroa Jacobsini*. The production estimate for 1998 is revised downward by 0.8 percent to reflect more current industry information and official data.

Producer prices and returns have increased significantly as a result of fewer imported inputs and higher international honey prices. However, the improved profitability is not yet enhancing the expansion of production capacity. Many beekeepers face high overdue loans and rising production costs caused by the current inflation rate of 14-15 percent. Although the economy is recovering, new credits will continue to be expensive and difficult to obtain. If the Mexican economy sustains positive growth, and export prices maintain the same high levels, colony numbers could increase.

Domestic input costs continue to increase because of inflation. For example, new and used 200 liter drums are cost 250.00-260.00 pesos (U.S. \$26.60-27.65) and 120.00-140.00 pesos (U.S. \$12.80-14.90), respectively. The current cost per queen bee is 60.00 pesos (U.S.\$6.38). Domestic production of queen bees continues to increase, but remains below beekeepers' requirements. In order to prevent Africanization of beehives, producers need to change queen bees at least once a year, but queen bee imports are restricted because of animal health concerns.

Current good weather in main producing areas, and improved pest control management, are expected to significantly improve 1999 honey yields, from 26.7 kilograms per hive in 1998 to 28.7 kilograms per hive in 1999. Despite the presence of Africanized honeybees, production has not been as adversely affected as in other countries infested with this strain of bees.

#### POLICY

Recently, 25 million pesos were allocated from the Mexican government's federal budget, through SAGAR's program "Alliance for the Countryside" (*Alianza para el Campo*) (see MX9043), and a similar amount was provided by state governments and Mexican honey producers. This support, if applied properly, is aimed at improved technology and continued work against the *Varroa Jacobsini* mite and the Africanized bee problems.

Thus far, most of the commercial and traditional part-time beekeepers have better knowledge and more experience in dealing with the Africanized honeybee. On the other hand, small and non-traditional hobbyist producers continue to leave the industry because they lack expertise and resources to implement the required management practices to control the Africanization of their apiaries. Consequently, colony numbers continue to decrease. The proportion of modern beehives is estimated at 90 percent versus 10 percent rustic.

Last year, the Secretariat of Agriculture, Livestock and Rural Development (SAGAR) reduced the distribution of queen bees to repopulate colonies affected by *Varroa Jacobsini* mite because of budget cuts. It is expected that the new monetary aid mentioned above will allow this activity to become operative again. According to producers, increased returns have not been enough to offset the added costs of management and treatment to control this pest.



## **STOCKS**

No change from our previous report, see FAS/Mexico report MX8086 dated 8/25/98.

## **TRADE**

Honey exports are forecast to increase for 1999 due to increased domestic supplies. Exports are more profitable than domestic sales due to attractive export prices and weak domestic demand. Mexican honey export prices currently average U.S. \$1,217.00 per metric ton. Most of Mexico's honey exports continue to be in bulk form in 200 liter drums. Based on attractive export prices, the 1998 export estimate is revised upward.

Mexico's imports for 1999 are expected to return to normal relatively-low levels. For 1998, however, there was an unusual increase to 31.5 MT, with the U.S. accounting for 78.5 percent. This is attributed to a production decline caused by the effects of hurricanes in the state of Yucatan.

## **CONSUMPTION**

Domestic consumption is forecast to decrease in 1999 due to greater export demand. While per capita edible demand will remain unchanged at about 300 grams, the cosmetic industry's diminished requirements will have an impact. At the international level, these figures look modest in comparison with other countries where the per capita consumption is larger. For this reason, the internal market is considered to have greater potential, given expected increases in average income. Honey is becoming a luxury item as prices are currently aligned to international prices. Domestic honey prices are more expensive than other sweeteners available in the market such as sugar, jellies, syrups and other substitutes. Retail honey prices currently fluctuate in the range of 25.00-30.00 pesos per kilogram (U.S. \$2.67 - \$3.21). The 1998 consumption estimate is revised downward due to more recent information indicating lower production and increased exports.

## **MARKETING**

Mexico is currently not a sizeable market for imported honey due to consumption patterns and the ample domestic supply of cheaper sugar. However, under NAFTA, U.S. honey is in a good position to gain market niches based on the elimination of the import tariff and price competitiveness, particularly in the table honey segment.